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Committee of The Whole,
Council of the District of Columbia
on the Universal Paid Leave Act of 2015 (Bill 21-415)

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Thank you, Chairman Mendelson, for calling this hearing. And thank you to the D.C. Council for extending an invitation to speak to you today. I am honored to be here.

My name is Heather Boushey and I am Executive Director and Chief Economist at the Washington Center for Equitable Growth. We seek to accelerate cutting-edge analysis into whether and how structural changes in the U.S. economy, particularly related to economic inequality, affect economic growth.

I am also the author of a forthcoming book from Harvard University Press, *Finding Time: The Economics of Work-Life Conflict*, where I go into great detail on the need for policies such as the Universal Paid Leave Act of 2015. What I've learned through my research is that the economic evidence points in one direction: Smoothing and securing people's participation in the economy is good for families, good for firms, and good for the economy. Family and medical leave insurance would help all D.C. workers be less economically vulnerable when balancing work, illness, and family care.

I recognize that there are some added costs for businesses when implementing paid family leave—most importantly, the expenses incurred when coping with an employee's absence. However, the cost of coping with an employee's absence is not new to businesses in the District of Columbia since the District of Columbia Family and Medical Leave Act of 1990 already grants employees 16 weeks of family leave and 16 weeks of medical leave within any 24-month period. The additional step of universal paid leave will enable workers to meet the needs of their families and of the firms they work for in better and more productive ways. This will help make the District of Columbia more—not less—economically competitive and broadly benefit families.

I will make four points in my testimony today:

1. Paid family leave is a necessary policy for modern families.
2. Family economic security is important for our overall economic strength and stability.
3. Localities—like the District of Columbia—should consider action because neither private employers nor federal policymakers have thus far addressed this urgent economic issue.
4. There are models from three states that have led the way that show paid family leave is good for the economy.

Paid family leave is a necessary policy for modern families

The majority of families do not have a stay-at-home parent to provide care for children or for ailing family members.[1] At the top of the income ladder, families are more often comprised of two earners, while at the bottom, they typically have one earner, often someone playing the dual role of sole earner and sole caretaker/parent. Among children, 71 percent live in a family with either two working parents or a single working parent, and the percentage of adult children providing care for a parent has tripled over the past 15 years.[2] Among workers who were employed at some time while caregiving, one in five reported that they took a leave of absence from work in order to address caregiving responsibilities.[3]

Because of the changes in how families interact with the economy, when a new child comes into the family, when a family member is seriously ill, or when a worker himself is ill, an employee needs a few weeks or more to be at home. Most families no longer can rely on a stay-at-home caregiver to provide this care, and firms cannot assume that families have someone at home. Instead, employees must negotiate time off with their employer. The District of Columbia was at the forefront of addressing the need to better balance family care and work responsibilities when it established the right to 16 weeks of unpaid leave in 1990.

However, for many low-, moderate-, and even high-income families, unpaid leave is nice, but unaffordable. The loss of income—even for just a few months—can cause a serious economic pinch for most families. Most families' savings will cover barely a few months' expenses.[4] Families must have the money to pay the rent or mortgage and put food on the table (and pay the utility bill, the health insurance copayments, and everything else), which is possible only with a regular paycheck, or at least a portion of it. This leads many to refuse unpaid leave, even when it would help them and their families address their care needs. According to a recent survey by the U.S. Department of Labor and Abt Associates, 46 percent of those who need leave but don't take it cited an inability to afford the time off.[5]

Paid family leave addresses a key conflict caused by the lack of a full-time, stay-at-home caregiver and keeps caregivers in the workforce. Over the past 40 years, this added employment of women has been responsible for much of the gains in family income across the income distribution. From 1979 to 2007, low-income women were responsible for all of the growth in their family income. Their earnings as a source of total family income increased by 156 percent, which more than made up for the 33 percent decrease in men's contribution during the time.[6] Families cannot afford to go back to having a stay-at-home caregiver.

Family economic security is important for our overall economic strength and stability

The economy is a system in which both firms and families matter. Each is a key player in our economy. Families buy goods and services from firms and, in turn, supply firms with workers by selling time. Firms buy people's labor, or time, to produce goods and services, which they then sell to families, completing the cycle.

However, where the very purpose of a firm is to engage in the economy, the purpose of families is both economic and non-economic. Families are where we raise children and care for one another. These roles may be subjectively more important to family members than their role in the economy, which raises the importance policies such as paid family leave play in our economy.

In order to see how paid family leave will affect the D.C. economy, we need to look at all kinds of costs and benefits. Costs include all the hidden costs that may be hard to see. Costs aren't only what firms pay out of pocket, and benefits aren't only about more money. We also need to look at the long-term effects. Upfront costs might be obvious, but benefits may take a while to show up, especially those that affect productivity.

Policies that keep good people in their jobs save firms money. Sociologist Sarah Jane Glynn and I conducted a review of the literature on the cost of job turnover and found that up and down the pay ladder, businesses spend about one-fifth of a worker's salary to replace that worker. Among jobs that pay $30,000 or less, the typical cost of turnover was about 16 percent of the employee's annual pay, only slightly below the 19 percent across all jobs paying less than $75,000 a year.[7]

Paid family leave improves wages and earnings for caregivers. In my research, I found that women who had access to paid leave when they had their first child had wages years later that were 9 percent higher than similar women who had not had access to paid leave.[8] Other researchers have found that women who had access to job-protected maternity leave were more likely to return to their original employer. This reduced the gap in pay that mothers experience relative to nonmothers. The Rutgers University Center for Women and Work found that working mothers who took paid family leave for 30 days or more for the birth of their child are 54 percent more likely to report wage increases in the year following their child's birth, relative to mothers who did not take leave.[9]

Economists find that the lack of paid family leave is one reason that the United States ranks 17th out of 22 OECD countries in female labor force participation. In one recent study, Cornell University economists Francine D. Blau and Lawrence M. Kahn found that the failure to keep up with other nations and adopt family-friendly policies such as parental leave is a reason for this lack of employment.[10]

A lower employment rate for caregivers has dramatic economic consequences. In my work with Eileen Appelbaum and John Schmitt, we estimated that, between 1979 and 2012, the greater hours of work by women accounted for 11 percent of the growth in gross domestic product. In today's dollars, had women not worked more, families would have spent at least $1.7 trillion less on goods and services—roughly equivalent to the combined U.S. spending on Social Security, Medicare, and Medicaid in 2012.[11]

The economic effects of paid leave are also important for families caring for an elder. According to the Bureau of Labor Statistics, about one in six Americans (16 percent) cares for an elder for an average of 3.2 hours a day. Most unpaid family caregivers—63 percent—also hold down a job; most of those with a job are employed full time.[12] The National Alliance for Caregiving's 2015 survey found that among those caring for an aging or ailing loved one, 61 percent reported that this negatively affected their paying job, because they needed leaves of absence, had to reduce their work hours, or received performance warnings. The survey also found that 38 percent of caregivers reported feeling high stress.[13] This means that the "family" part of family and medical leave is important for large swaths of the U.S. workforce. This is especially true since, unlike in other countries, few elders receive support from government—about 6.4 percent of seniors are in long-term care in the United States compared with 12.7 percent across other developed economies.[14]

Because paid family leave protects families from suffering financial setbacks when working, parents are not forced to take unpaid leave or exit the labor force entirely in order to provide care for their children. This can reduce long-term costs for state and local governments. Researchers from Rutgers University's Center for Women and Work found that paid family and medical leave reduced the number of women who relied on public assistance. In the year after they had their child, women who took paid leave were 39 percent less likely to receive public assistance, like TANF, compared with mothers who did not take leave but returned to work. They were also 40 percent less likely to receive food stamp income in the year following a child's birth.[15]

Paid family leave improves a family's ability to care for the next generation. The economists Raquel Bernal and Anna Fruttero explain that paid parental leave can increase a child's average human capital as parents use their leave to spend time with their new baby, which, as research indicates, increases a child's future skill level. Parental leave also enhances children's health and development and is associated with increases in the duration of breastfeeding and reductions in infant deaths and later behavioral issues. Similarly, returning to work later is associated with reductions in depressive symptoms among mothers.[16]

Localities—like the District of Columbia—should consider action because neither private employers nor federal policymakers have thus far addressed this urgent economic issue

Private employers do not typically provide paid family leave. A paid family leave program covers only about 13 percent of employees. There are a number of high-profile exceptions, such as Google, which now provides 18 weeks of paid maternity leave and 12 weeks of paid paternity leave for its employees, but they are rare.[17]

When firms do provide leave, they often only give it to their higher-paid employees. Only 5 percent of workers in the bottom quarter of earners have paid family and medical leave through their employer, compared with 21 percent in the top quarter. The trends look similar across educational categories. Unlike pensions and health insurance, uniform leave policies are not mandatory. Low-income families are least likely to be able to afford paid help to care for loved ones, so this lack of leave can quickly lead to an exit from employment or a sharp reduction in family spending.[18]

There is no federal guarantee of paid family leave. In the absence of federal action, there is an opportunity for states and localities to develop programs and policies that provide this increasingly critical piece of help to working families. The United States is the only advanced industrialized nation without a federal law providing workers access to paid maternity leave, and one of only a handful of nations that does not offer broader family and medical leave insurance. In fact, among OECD countries, mothers are, on average, entitled to 17 weeks of paid maternity leave around childbirth alone, so the D.C. proposal is modest.[19]

Three states—California in 2002, New Jersey in 2008, and Rhode Island in 2013—provide a model for this kind of program. In these states, paid caregiver leave for new parents and workers who need to care for a seriously ill family member was an expansion to their longstanding statewide temporary disability insurance programs. Benefits are for six weeks in California and New Jersey, four weeks in Rhode Island, and typically cover about half or more of an employee's pay, capped at around what the typical, or median, worker earns in a week. Benefits in those states are paid for through an employee payroll deduction for family leave, though the New Jersey temporary disability insurance plan, the most expensive portion of their paid leave program, is two-thirds employer funded.

In the current bill, D.C. employers pay the insurance premium for paid leave, which makes it different than in these three states. This is due to the unique nature of our city's ability to tax. However, like in the three states, the program spreads the costs of leave through an insurance pool. While the tax is on employers, economic research tells us that they will pass on this additional cost to either consumers, through minimal price increases, or to employees through nominal salary adjustments over time.

Paid family leave is good for the economy

Research on the effects of paid leave policies finds that leave periods up to a reasonable length of time is positive for employment outcomes, and those positive employment outcomes are consequently beneficial to the entire economy. In an extensive survey of employers and employees, the sociologist Ruth Milkman and the economist Eileen Appelbaum found that in California, the overwhelming majority of employers—9 out of 10—reported that the paid family leave program has had either no effect or positive effects on profitability or performance. Further, the researchers found that 9 out of 10 employers (87 percent) reported no increase in their costs.[20]

Some might also argue that paid leave is bad for business because it hurts their bottom line. The truth of the matter is that this argument fails to consider the opportunity costs of not providing paid leave, the costs that businesses here in the District and around the United States face currently. Further, a standard that provides workers with paid leave that is funded in a fair, administratively effective way levels the playing field and gives all businesses the ability to compete for talent, not just those that are large and can treat paid leave as a perk rather than a right.

Paid family and medical leave fosters economic security—boosting local demand—by making it possible to sell time in a way that works for families. After California implemented paid family leave, researchers found workers, especially low-wage workers, who took paid family leave through the state program were more likely than those who did not to transition back into their job and remain in the labor force. Among workers in low-paying jobs, 88.7 percent of those who used the leave returned to their jobs, compared with 81.2 percent of those who did not use the leave. The economist Tanya Byker found that the paid family and medical leave programs in California and New Jersey increased the number of mothers in the labor force around the time when they had a child. This was particularly the case for women without a college degree. Similarly, access to family leave to care for an elder can keep people in the workforce.[21]

Paid family leave helps close the gender pay gap because it gives both men and women time to care for their families, boosting family incomes. The percentage of leave taken by men in California has increased since the institution of the state's paid leave program. Men's share of parent-bonding family leave—as a percentage of all parent-bonding family leave claims—increased from 17 percent in the period from 2004 to 2005 to 30.2 percent in the period from 2011 to 2012. In addition, men in California are taking longer leaves than they did before family and medical leave insurance was available.[22]

Conclusion

As a District resident, I am proud that the D.C. Council is considering legislation that would help not only families across the income spectrum, but our entire economy. Families living in the District and considering moving here are different from those decades ago. They don't often have the luxury of having a parent who doesn't have to work, but they still have to deal with the challenges of welcoming a new baby or caring for an aging spouse or parent. And helping these families stay connected to the workforce helps businesses retain quality employees and keep people who otherwise might drop out connected to the workforce. That means these families can still spend time shopping at D.C. stores and paying income taxes, rather than cutting their budgets or relying on public assistance. We know from experience in states that have implemented paid leave that these changes are benefiting both workers and businesses. I, again, am honored to be here testifying about the Universal Paid Leave Act of 2015, and I thank you for the opportunity.

Allow me to restate two key points from my testimony. First, with an added cost per employee, it is less important whether the employer or the employee pays the bill. In the end, the cost will in all likelihood be passed onto employees through either changes in nominal pay over time or a marginal addition to consumer prices.

Second, the key economic point is that having families with working caregivers isn't just nice, it's an economic imperative for families and for our economy more generally. This is the kind of policy that keeps people in the workforce and sustains family income. This will, in turn, sustain consumer buying power, boost local tax revenues, and lower government expenditures on programs to support the unemployed and caregivers who have trouble addressing conflicts between work and life.

Endnotes

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